

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD TO DATE
	30/09/20	30/09/19	30/09/20	30/09/19
	RM'000	RM'000	RM'000	RM'000
Revenue	417,492	270,554	1,010,758	845,451
Cost of sales	(404,489)	(247,093)	(995,613)	(813,926)
Gross Profit	13,003	23,461	15,145	31,525
Operating expenses	(5,479)	(16,955)	(26,303)	(39,267)
Other expenses	-	-	(10,055)	(2,055)
Other income	2,575	175	11,590	3,729
Interest income	249	138	303	232
Finance cost	(4,449)	(4,745)	(18,772)	(17,239)
Share of profit in associated company	139	24	39	132
Profit/ (Loss) before tax	6,038	2,098	(28,053)	(22,943)
Tax (expenses)/ credit	(2,273)	7,980	5,115	13,950
Profit/ (Loss) for the period	3,765	10,078	(22,938)	(8,993)
Other Comprehensive Income -Revaluation of land	-	76,649	-	76,649
Total Comprehensive Profit/ (Loss)	3,765	86,727	(22,938)	67,656
Profit/ (Loss) and Total Comprehensive Loss attributable to:				
Equity holders of the Company	3,765	86,727	(22,938)	67,656
Profit/ (Loss) for the period	3,765	10,078	(22,938)	(8,993)
Earnings/ (Loss) per share (sen)				
- Basic	0.85	2.37	(5.15)	(2.11)
- Diluted	N/A	N/A	N/A	N/A

The Unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 31st December 2019 and accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	30/09/20	31/12/19
	RM'000	RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, Plant & Equipment	763,943	740,462
Investment in Associate company	6,567	6,528
Deferred tax assets	9,150	3,793
	<u>779,660</u>	<u>750,783</u>
<u>Current Assets</u>		
Inventories	507,062	533,379
Trade and other receivables	205,119	168,600
Taxation recoverables	3,361	5,225
Short term deposit	38,182	24,902
Cash and bank balances	21,774	35,403
	<u>775,498</u>	<u>767,509</u>
TOTAL ASSETS	<u><u>1,555,158</u></u>	<u><u>1,518,292</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to equity holders</u>		
Share capital	239,943	233,310
Subscription money received	-	950
Revaluation reserves	76,649	76,649
Treasury shares	(1,490)	(1,324)
Retained profits	397,459	420,397
Total Equity	<u>712,561</u>	<u>729,982</u>
<u>Non-Current Liabilities</u>		
Lease Liabilities	9,518	11,857
Long term borrowings	130,571	131,712
Deferred tax liabilities	79	47
	<u>140,168</u>	<u>143,616</u>
<u>Current Liabilities</u>		
Trade and other payables	341,102	229,419
Trade deposits	64,467	80,250
Lease Liabilities	3,366	3,272
Short term borrowings	293,494	331,753
	<u>702,429</u>	<u>644,694</u>
Total liabilities	<u>842,597</u>	<u>788,310</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,555,158</u></u>	<u><u>1,518,292</u></u>
Net Assets per share (RM)	1.59	1.71

The Unaudited Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2019 and accompanying explanatory notes attached to the interim financial statements.

THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Attributable to equity holders of the Company					Total RM'000
	Non-distributable			Distributable		
	Share Capital RM'000	Subscription Money received RM'000	Revaluation Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
<i>9 months ended 30th September 2020</i>						
At 1st January 2020	233,310	950	76,649	420,397	(1,324)	729,982
New shares issued	6,633	(950)	-	-	-	5,683
Share buy back	-	-	-	-	(166)	(166)
Total comprehensive loss	-	-	-	(22,938)	-	(22,938)
At 30th September 2020	<u>239,943</u>	<u>(0.00)</u>	<u>76,649</u>	<u>397,459</u>	<u>(1,490)</u>	<u>712,561</u>
<i>9 months ended 30th September 2019</i>						
At 1st January 2019	230,094	-	-	428,723	(1,199)	657,618
Share buy back	-	-	-	-	(125)	(125)
Total comprehensive income	-	-	76,649	(8,993)	-	67,656
At 30th September 2019	<u>230,094</u>	<u>-</u>	<u>76,649</u>	<u>419,730</u>	<u>(1,324)</u>	<u>725,149</u>

The above condensed consolidated statement of change of equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Current year 01/01/20 to 30/09/20 RM'000	Preceding Year 01/01/19 to 30/09/19 RM'000
Cash Flow From Operating Activities:-		
Loss before tax	(28,053)	(22,943)
Adjustment for:		
Depreciation of property, plant and equipment	24,573	22,347
Interest expenses	18,774	17,239
Impairment/(reversal) of inventories	(7,498)	1,236
Loss/(Gain) on disposal of property, plant and equipment	(131)	10
Share of (gain)/loss of associate	(39)	(132)
Others	(1,839)	(1,882)
Operating profit before changes in working capital	5,787	15,875
Changes in working capital		
Net change in inventories	33,815	(41,419)
Net change in receivables	(38,331)	13,224
Net change in payables	97,435	10,418
Cash generated from/(used in) operations	98,706	(1,902)
Interest paid	(17,948)	(16,839)
Income tax paid	(282)	(1,143)
Income tax refund	1,937	-
GST refund	1,812	-
Net cash inflow/(outflow) from operating activities	<u>84,225</u>	<u>(19,884)</u>
Investing activities		
Purchase of property, plant and equipment	(47,922)	(53,736)
Decrease/ (Increase) in other investment	-	3,000
Interest received	303	232
Proceed from disposal	199	-
Net cash outflow from investing activities	<u>(47,420)</u>	<u>(50,504)</u>
Financing activities		
Bank borrowings	(39,846)	62,526
Issue of private placement	5,683	-
Share resales/ (buy-back)	(166)	(125)
Finance lease interest paid	(826)	(400)
Net cash inflow/(outflow) from financing activities	<u>(35,155)</u>	<u>62,001</u>
Net increase/(decrease) in cash and cash equivalents	1,650	(8,387)
Cash and cash equivalents at beginning of the year	58,306	70,155
Cash and cash equivalents at end of the financial period	<u><u>59,956</u></u>	<u><u>61,768</u></u>
1 Cash and cash equivalents at end of the financial period comprise :		
Short term deposit	38,182	32,407
Cash and bank balances	21,774	31,361
Bank overdraft	-	(2,000)
	<u><u>59,956</u></u>	<u><u>61,768</u></u>

The Unaudited Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2019 and accompanying explanatory notes attached to the interim financial statements.

MALAYSIA STEEL WORKS (KL) BHD
Company No. 197101000213 (7878-V)

EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING FOR THE QUARTER ENDED 30TH SEPTEMBER 2020

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board (“MASB”), International Accounting Standard (“IAS”) 34: Interim Financial Reporting issued by International Accounting Standard Board (“IASB”), the requirement of the Companies Act 2016 and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statement for the year ended 31st December 2019, which were prepared under Malaysian Financial Reporting Standards (“MFRSs”). These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31st December 2019.

A2. Accounting Policies and Methods of Computation

The accounting policies adopted in the preparation of the Condensed Report are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 31st December 2019, except for the following:

Effective for financial periods beginning on or after 1st January 2020

- Amendments to MFRS 3 Business Combinations - Definition of a Business
- Amendments to MFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9 Financial Instruments
- Amendments to MFRS 7 Financial Instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 139 Financial Instruments: recognition and measurement
 - Interest Rate Benchmark Reform
- Amendment to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting policies, changes in accounting estimates and errors
 - Definition of Material
- Amendment to MFRS 101 Presentation of Financial Statements
 - Classification of Liabilities as Current or Non-current – Deferral of Effective Date

Standards and Amendments to MFRSs issued but not yet effective

Effective for financial periods beginning on or after 1st June 2020

- Amendments to MFRS 16 Leases - Covid-19 - Related Rent Concessions

Effective for financial periods beginning on or after 1st January 2021

- Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosure, MFRS 4 Insurance Contracts and MFRS 16 Leases – Interest Rate Benchmarks Reform –Phase 2

Effective for financial periods beginning on or after 1st January 2022

- Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use

Effective for financial periods beginning on or after 1st January 2022 (cont'd)

Amendments to MFRS 137 Provision, Contingent Liabilities and Contingent Assets

- Onerous Contract – Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018-2020 :
 - Amendment to MFRS 1 First-time Adoption of Malaysia Financial Reporting Standards
 - Amendment to MFRS 9 Financial Instruments
 - Amendment to MFRS 141 Agriculture

Effective for financial periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

Effective date of these Standard have been deferred, and yet to be announced

Amendments to MFRS 10 Consolidated Financial Statement and MFRS 128 Investments in Associates and Joint Ventures

- Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

The above pronouncements are either not relevant or do not have any impact on the financial statements of the Group.

A3. Disclosure of Audit Report Qualification

The audit report of the Group's annual financial statements for the financial year ended 31st December 2019 did not contain any qualification.

A4. Seasonal or Cyclical factors

The operations of the Company are subject to both cyclical factors in the construction industry as well as festive seasons.

A5. Unusual items affecting the assets liabilities, equity, net income or cash flows.

There are no extraordinary items for the financial period under review.

A6. Changes in Estimates

There have been no changes in the estimates of amount for the period under review.

A7. Debts and Equity Securities

There were no issuances, cancellation, repurchases, resale and repayment of debts and equity securities for the current quarter under review.

As at 30th September 2020, a total of 2,360,600 shares were held as treasury shares out of its total issued share capital of 452,739,831 shares at an average price of RM0.63 per share. The share buyback transactions were financed by internally generated funds.

A8. Dividend

No dividend was paid by the Company in the current quarter under review and financial year to date.

A9. Segmental reporting

The Group is primarily organised in one business segment namely manufacturing of steel bars and billets. The business segment analysed by geographical location of customers are as follows:

	Current Quarter ended RM'000	Current Year to-date ended RM'000
Revenue		
- Malaysia	371,651	873,526
- Outside Malaysia	45,841	137,232
	417,492	1,010,758

A10. Valuation

The valuations of the property, plant and equipment has been brought forward and was regarded as deemed cost at the date of transition to MFRS. The relevant revaluation surplus was recognized to the retained earnings. In year 2019, the Company had a revaluation of land and the revaluation surplus was recognized to the equity as revaluation reserve.

A11. Material subsequent events

There are no material subsequent events between the end of the current quarter under review and the date of this report.

A12. Changes in the composition of the Group

There was no change in the composition of the Group during the current quarter under review.

PART B:- ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

	Individual Period			Cumulative Period		
	3 months		Changes %	9 months		Changes %
	30/09/2020	30/09/2019		30/09/2020	30/09/2019	
	RM'000	RM'000		RM'000	RM'000	
Revenue	417,492	270,554	54.31	1,010,758	845,451	19.55
Profit/(Loss) before interest and tax	10,487	6,843	53.25	(9,280)	(5,704)	62.70
Profit/(Loss) before tax	6,038	2,098	187.79	(28,053)	(22,943)	22.27

The Group reported a profit before tax of RM6.04 million on the revenue of RM417.49 million for the current quarter compared to a profit before tax of RM2.09 million on the revenue of RM270.55 million for the previous year corresponding quarter. The increase in revenue in current quarter was mainly attributed to higher sales volume and selling price as a consequence in the recovery of global steel demand. The current quarter recorded a higher profit before tax mainly due to higher revenue and lower operating expenses.

B2. Variation of results against preceding quarter's

	3 months ended		Changes %
	30.09.2020	30.06.2020	
	RM'000	RM'000	
Revenue	417,492	195,626	113.41
Profit/(Loss) before tax	6,038	(29,254)	120.64

During the quarter under review, the Group's revenue recorded an increase of RM221.87 million to RM417.49 million mainly due to higher selling price and sales volume as compared with last quarter as a result from the improvement on the demand of the steel products due to the strong rebound of the international and local steel market. The Group recorded a profit before tax of RM6.04 million as compared to a loss before tax of RM29.25 million incurred in the immediate preceding quarter mainly due to improved margin, better utilization of the new plant and equipment and lower operating expenses in the current quarter.

B3. Prospects

The Company is expected to realise a steady improvement in its financial performance in the ensuing quarters. This is underscored by the improved demand for its steel products and operating margins.

The Government's expansionary 2021 national budget has highlighted the projected growth of the Malaysian construction sector of 13.9% in 2021 valued at RM61.34 billion. A significant portion of this construction sector recovery is expected to be underpinned by public transport infrastructure development which will further drive the demand for the Company's steel products.

The Group is cautiously optimistic that it will be able to capitalise on the many business opportunities in the quarters ahead.

B4. Profit forecast

The disclosure requirements for explanatory notes are not applicable as no profit forecast was published.

B5. Condensed Consolidated Statements of Comprehensive Income

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):		
Unrealised foreign exchange gain	(2,575)	(1,535)
Realised foreign exchange gain	(4,847)	(3,679)
Depreciation of property, plant and Equipment	8,162	24,573
Reversal for inventories	(1,722)	(7,498)
Share of profit in associate	(139)	(39)
Interest expense	4,449	18,772
Interest income	(249)	(303)
Impairment of assets	-	-
(Gain)/loss on disposal of quoted or unquoted investment or properties	(131)	(131)
Other income including investment income	-	-
Provision for and write off of receivables	-	-
(Gain)/loss on derivatives	-	-

B6. Tax expenses/ (credit).

Taxation comprises:

	Current Quarter Ended RM'000	Current Year To-date Ended RM'000
<u>Malaysian income tax</u>		
Current taxation:		
-Current year	125	224
-Over provision in prior years	(14)	(14)
Deferred taxation:		
-Current year	(2,808)	(10,295)
-Under provision in prior years	4,970	4,970
	<u>2,273</u>	<u>(5,115)</u>

The effective tax rate of the Group for the current quarter ended 30th September 2020 was lower than the statutory tax rate mainly due utilization of allowance and reinvestment allowance.

B7. (a) Status of corporate proposals

Refer to the announcements dated 13th September 2019 and 17th September 2019, the Company propose to undertake the following private placement pursuant to Section 75 and 76 of the Companies Act 2016 ('Private Placement'):-

- i) Up to 42,500,000 new Masteel shares, representing up to approximately 10% of the Company's total number of issued shares.

Bursa Securities had, vide its letter dated 19th September 2019, approved the listing and quotation of the Private Placement.

The above corporate proposals was approved by the shareholders at the Annual General Meeting dated on 20th June 2019.

A total of 16,700,000 new Masteel shares was issued from 1st January 2020 to 12 February 2020 at an average price of RM0.397 per share.

On 5th March 2020, Bursa Securities has granted the Company an extension of time until 18th September 2020 to complete the implementation of the Private Placement.

Pursuant to the lapsing of the approval from Bursa Securities on 18th September 2020, the Private Placement is deemed completed. A total of 25,500,000 new Masteel shares was placed out and listed from the Private Placement.

(b) Status of utilization of proceed raised

The total proceed raised as at the reporting date by the Company from the Private Placement had been utilized in the following manner.

	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation	Explanation
	RM'000	RM'000		RM'000	%
Repayment of bank borrowing	9,752	9,752	Immediate	-	-
Estimated expenses	96	96		-	-
Total	9,848	9,848		-	-

B7. Borrowings

	30/09/20 RM'000
<u>Secured:</u>	
Short term borrowings	293,494
Long term borrowings	130,571
Total borrowings	424,065

The above borrowings are all denominated in Ringgit Malaysia.

B9. Material litigations

The Company has been served with a Writ of Summons dated 17th July 2019 and Statement of Claim dated 12th June 2019 by Safety Capital Sdn Bhd ('safety Capital'). Safety Capital is seeking for, inter alia, the payment of RM10.681 million ('Sum') by the Company, together with Interest and costs ('Claim'), which is in relation to advances made by Safety Capital to the Company between the year 2002 to 2004. The Board of Directors has been advised by its solicitors that the Company has a strong case to dismiss the Claim. As the claimed is non-trading in nature, the Management is of the view that the Writ of Summons will not have any material financial and operational impact on the Group.

The Company has taken out an application to strike-out the Safety Capital claim ('Application'). The Application is scheduled for Case Management on 28th August 2020 before the Registrar at the Shah Alam High Court. In light of the extension of the Conditional Movement Control Order, the Court rescheduled the hearing of Masteel's striking-out application to 18th December 2020.

B10. Dividend

No dividend has been proposed or declared by the Company during the current quarter under review.

B11. Earnings/ (Loss) per share ("LPS")

(a) Basic Earnings/ (Loss) per share

The earnings/ (loss) per share of the Company is calculated by dividing the earnings/ (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

	Current Quarter Ended	Current Year To-date Ended
Earnings/(Loss) attributable to ordinary shareholders (RM'000)	<u>3,765</u>	<u>(22,938)</u>
Weighted average number of ordinary shares in issue ('000)	<u>445,487</u>	<u>445,487</u>
Basic Earnings/(Loss) Per Share (sen)	<u>0.85</u>	<u>(5.15)</u>

(b) Diluted earnings/ (loss) per share

There is no dilution of any shares during the period. Accordingly, the diluted Earnings/ (Loss) per share calculation is the same as that of Basic Earnings/ (Loss) per share.

B12. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors.